

## Message Text

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ACTION EUR-25

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TO SECSTATE WASHDC 5532

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C O N F I D E N T I A L USNATO 2485

E.O. 11652: GDS80

TAGS: MCAP EFIN NATO

SUBJ: NON-RECURRING COST RECOVERY FOR NATO SATCOM PHASE III

REFS: A. USNATO 0904, 201040Z FEB 74

B. STATE 047404, 082220Z MAR 74

C. AC/4(P)WP/1013, 16 APR 74

D. DP/4-R/616, 13 MAY 1968

E. DP/4-R/625, 29 APR 1968

BEGIN SUMMARY. MAJORITY OF PROBLEMS RELATED TO P&P COMMITTEE  
AUTHORIZATION OF PAYMENT OF NON-RECURRING COST RECOVERY CHARGE FOR  
NATO SATCOM III PROGRAM HAVE BEEN RESOLVED. ONLY TWO POINTS  
REMAIN AT ISSUE. ACTION REQUESTED: AUTHORIZATION TO PROVIDE NATO  
WITH NECESSARY ASSURANCES TO PERMIT FINAL P&P COMMITTEE AGREEMENT.  
END SUMMARY.

1. BASED ON INSTRUCTIONS RECEIVED REF B, MISSION HAS SUFFICIENTLY  
SATISFIED NATO INTERNATIONAL STAFF (NIS) CONCERNS REGARDING  
ELIGIBILITY FOR NATO INFRASTRUCTURE COMMON FUNDING OF SUBJECT CHARGE  
TO PERMIT NIS TO BRING MATTER BEFORE INFRASTRUCTURE P&P COMMITTEE  
FOR DISCUSSION. NIS WAS UNABLE, IN PRESENTING ITS POSITION TO  
P&P COMMITTEE IN REF C, TO RECOMMEND COMMITTEE AUTHORIZATION. HOWEVER,  
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IN VIEW OF STRONG NEGATIVE POSITION WHICH NIS ORIGINALLY HELD, MISSION

CONSIDERS THAT CONSIDERABLE PROGRESS WAS MADE IN PERSUADING NIS  
NOT TO COME IN WITH STRONG RECOMMENDATION AGAINST PAYMENT.

2. REF C HAS BEEN DISCUSSED AT LENGTH BY P&P COMMITTEE, AND MISSION BELIEVES COMMITTEE STRONGLY PREFERS TO AVOID REPETITION OF LENGTHY DEBATE OVER PRINCIPLES THAT OCCURRED WITH SATCOM II, AND AGREE TO PAYMENT OR CHARGE, IF RIGHT LANGUAGE CAN BE FOUND TO DESCRIBE DECISION. COMMITTEE HAS INDICATED THAT MOST ACCEPTABLE

APPROACH WOULD BE TO REPEAT THE FINAL AGREEMENT THAT WAS REACHED IN 1968, ON THE BASIS THAT A PRECEDENT WAS SET IN THAT DISCUSSION, AND NO

NEW GROUND WILL BE BROKEN IN PRESENT CASE IF SIMILAR ACTION IS TAKEN FOR SATCOM III. THE KEY ELEMENTS OF THE 1968 AGREEMENT ARE SET FORTH IN REFS D AND E.

3. IN DISCUSSING THIS APPROACH, THERE APPEAR TO BE ONLY TWO REMAINING POINTS ON WHICH WE HAVE BEEN UNABLE TO OBTAIN AGREEMENT WITHIN THE TERMS OF REF B. THESE ARE AS FOLLOWS:

A.DESCRPTION OF US EFFORT COVERED BY THE NON-RECURRING COST RECOVERY CHARGE.

(1) THE KEY PROBLEM HERE IS WHETHER THE US IS, IN PART, REQUESTING PAYMENT FOR ANY SO-CALLED PURE OR BASIC RESEARCH. SUCH PURE RESEARCH IS REGARDED BY SEVERAL DELEGATIONS AS FALLING WITHIN THE A POSTERIORI PROHIBITION IN NATO, AND THEY INDICATE NATIONAL AUTHORITIES HAVE STRONG VIEWS AGAINST PAYING FOR SUCH RESEARCH AS A MATTER OF PRINCIPLE. THE SOLUTION TO THIS PROBLEM IN 1968 WAS RECORDED IN THE RECORD OF THE INFRASTRUCTURE COMMITTEE MEETING OF 20 FEB 68 (REF D) AT ITEM I.A.12(4), WHERE THE COMMITTEE QUOTE NOTED THE ASSURANCE GIVEN BY THE UNITED STATES REPRESENTATIVE THAT THE R&D COSTS DID NOT COVER BASIC RESEARCH BUT ONLY THE DESIGN, TESTING AND EVALUATION WORK INVOLVED IN THE DEVELOPMENT OF THE IDCSP SATELLITE AND OF THE SKYNET VARIETY UNQUOTE.

(2) SINCE THE \$250,000 PRESENTLY BEING REQUESTED IS, AS STATED IN PARA 4, REF B, A QUOTE MINIMAL COST ASSESSMENT UNQUOTE,

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IT WOULD APPPAR REASONABLE TO STATE THAT THIS CHARGE IS ENTIRELY JUSTIFIED SOLELY ON THE BASIS OF DESIGN, DEVELOPMENT AND TESTING OF COMPONENT TECHNOLOGY BEING UTILIZED IN THE SATCOM III SPACE-CRAFT.

(3) MISSION STRONGLY RECOMMENDS THAT US REPRESENTATIVE BE AUTHORIZED TO STATE THAT THE NON-RECURRING COST RECOVERY CHARGE INCLUDED IN FMS CASE N2-SAR AMENDMENT 1 DOES NOT COVER BASIC OR PURE RESEARCH, BUT IS ATTRIBUTABLE TO THE TESTING AND EVALUATION OF EQUIPMENT USED IN THE VARIOUS PHASES OF THE PRODUCTION PROCESSES OF THE SATCOM III SATELLITES. MISSION BELIEVES SUCH A STATEMENT WOULD ENTIRELY SATISFY COMMITTEE ON THIS POINT.

B. PROVISION OF TECHNICAL DATA TO NATIONAL AUTHORITIES.

(1) AS EXPECTED, NETHERLANDS DELEGATION HAS REQUESTED ASSURANCES THAT US WOULD BE WILLING TO PROVIDE QUOTE TECHNOLOGICAL INFORMATION RELATING TO THE TESTING AND EVALUATION OF THE EQUIPMENT IN SATCOM III UNQUOTE, AS WAS DONE IN 1968 (SEE REF E, ITEM I.2. AND I.6).

(2) US MISSION HAS EXPLORED IN DETAIL WITH NETHERLANDS DELEGATION AND WITH NICSMA THE POSSIBILITY OF PROVIDING COPIES OF DOCUMENTATION RELATING TO THE DESIGN, DEVELOPMENT, TEST AND EVALUATION WHICH WILL BE PROVIDED TO NICSMA, AS ENVISAGED IN PARA 5, REF B. NICSMA HAS INDICATED IT WOULD HAVE NO DIFFICULTY IN DOING SO IF SUFFICIENT COPIES ARE PROVIDED BY THE US, AND IS WILLING TO MAKE THE NECESSARY ARRANGEMENTS. NETHERLANDS DELEGATION

HAS INDICATED SATISFACTION WITH SUCH ARRANGEMENTS.

(3) ONE REMAINING DIFFICULTY IN THIS APPROACH IS NETHERLANDS CONCERN THAT NOT ALL THE INFORMATION THEY FEEL MIGHT PROPERLY BE DEFINED AS FALLING WITHIN THE SCOPE OF THE PROGRAM NATO IS PAYING FOR, INCLUDING THE NON-RECURRING COST RECOVERY CHARGE, MIGHT BE AVAILABLE FROM NICSMA. NETHERLANDS DOES NOT FEEL IT IS A LIKELY POSSIBILITY, BUT CONSIDERS IT ESSENTIAL THAT IT BE ASSURED IT COULD OBTAIN SUCH INFORMATION DIRECTLY FROM THE US, ASSUMING THE INFORMATION DESIRED WAS RELEASABLE WITHIN THE SCOPE OF THE SATCOM III PROGRAM. THIS WOULD, OF

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COURSE, EXCLUDE NOFORN DATA AND DATA WHICH, WHILE NOT SO RESTRICTED,

WAS NOT DIRECTLY RELEVANT TO THE NATO PROGRAM.

(4) MISSION FEELS THAT AGREEMENT ON THIS POINT IS DESIRED BY ALL CONCERNED, AND STRONGLY RECOMMENDS THAT US REP BE AUTHORIZED TO STATE THAT QUOTE IF ADDITIONAL INFORMATION BEYOND THAT AVAILABLE FROM NICSMA WAS DESIRED BY AN INTERESTED NATO MEMBER NATION, THE US WOULD PROVIDE SUCH INFORMATION ON A BILATERAL BASIS, IF RELEASABLE WITHIN THE SCOPE OF THE SATCOM III PROGRAM UNQUOTE. DISCUSSIONS WITH THE NETHERLANDS DELEGATION INDICATE THAT MODIFIED WORDING, SUCH AS, QUOTE US WOULD USE ITS BEST EFFORTS TO ATTAIN...UNQUOTE, AND SIMILAR PHRASES WOULD NOT RESOLVE THE PROBLEM. MISSION BELIEVES THAT WORDING RECOMMENDED ABOVE DOES IN FACT ADEQUATELY PROTECT US INTERESTS, AND NETHERLANDS REP INDICATES THIS WORDING

WOULD SATISFY HIS NATIONAL AUTHORITIES.

(5) MISSION BELIEVES THAT AUTHORIZATION TO MAKE THE TWO STATEMENTS NOTED ABOVE WILL QUICKLY RESOLVE THIS PROBLEM. ALTERNATIVE WOULD SEEM TO BE RELUCTANT BUT FIRM STAND BY SEVERAL NATIONS ON QUOTE BASIC PRINCIPLES UNQUOTE, WHICH WOULD,

IN OUR VIEW, NOT BE WARRANTED BY THE ISSUE AT HAND. MATTER HAS  
BEEN DEFERRED PENDING US REPLY TO POINTS MADE ABOVE. PLEASE  
ADVISE. MCAULIFFE

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